

SUMMONS**NOTICE TO DEFENDANTS:**

California Fiscal Recovery Financing Authority; Finance Director and Financing Authority Chairperson Steve Peace, in His Official Capacity; State Treasurer Phil Angelides, in His Official Capacity; and All Persons Interested in the Matter of the Validity of Assembly Bill 7 (1st Extraordinary Session 2003) (AB 7), Enacting the California Fiscal Recovery Financing Act, Government Code Section 99000, *et seq.*; Adding Sections 6051.5, 6051.6, 6201.5, 6201.6, and 7101.3, 7203.1 to the Revenue and Taxation Code; and Amending Sections 7202 and 7203 of the Revenue and Taxation Code, and deficit bonds to be issued pursuant thereto.

YOU ARE BEING SUED BY PLAINTIFF:

Fullerton Association of Concerned Taxpayers, an unincorporated association

NAME AND ADDRESS OF COURT:

Superior Court of California, County of Sacramento
720 Ninth Street
Sacramento, CA 95814

CASE NO.:

03AS05319

ATTORNEYS FOR PLAINTIFFS: John H. Findley, No. 50495; William S. Mount, No. 57857; Harold E. Johnson, No. 200392; Arthur B. Mark III, No. 220865; Pacific Legal Foundation, 10360 Old Placerville Road, Suite 100, Sacramento, CA 95827; Telephone: (916) 362-2833; Facsimile: (916) 362-2932

PLAINTIFF has filed a complaint suing the California Fiscal Recovery Financing Authority (CFRFA); Steve Peace in his official capacity; Phil Angelides in his official capacity; and other interested parties over the validity of AB 7. AB 7 enacts Government Code section 99000, *et seq.*, adds sections 6051.5, 6051.6, 6201.5, 6201.6, 7101.3, and 7203.1 to the Revenue and Taxation Code, and amends sections 7202 and 7203 of the Revenue and Taxation Code. AB 7 creates a new authority, the CFRFA composed of the Governor and other executive officers of the state, and authorizes the CFRFA to issue bonds, the stated sole purpose of which is to reduce and, ultimately, eliminate the current accumulated budget deficit. The proceeds from the sale of the bonds are to be deposited in the General Fund of the state to pay off the accumulated budget deficit. The revenue to repay the bonded indebtedness will come from a one half of one-percent sales and use tax imposed by the state and routed through a "special fund" administered by the Authority. AB 7 also reduces the percent amount of sales and use tax counties and cities are authorized to impose.

Article XVI, section 1, of the California Constitution requires that if the state incurs debts or liabilities greater than \$300,000, the Legislature must first get voter approval by majority vote. Plaintiff alleges that AB 7 violates Article XVI, section 1, of the California Constitution, in that the law authorizes the CFRFA to create a debt or liability of the State of California exceeding \$300,000 without voter approval. Plaintiff also alleges that AB 7 is not for a "single object or work" as also required by Article XVI, section 1 and that any bonds issued pursuant to AB 7 are invalid.

THE CALIFORNIA FISCAL RECOVERY FINANCING AUTHORITY; STEVE PEACE; PHIL ANGELIDES; AND ALL PERSONS INTERESTED IN THESE MATTERS MAY CONTEST THE LEGALITY OR VALIDITY OF THE MATTER BY APPEARING AND FILING A WRITTEN ANSWER TO THE COMPLAINT IN THE SUPERIOR COURT OF CALIFORNIA FOR THE COUNTY OF SACRAMENTO, 720 NINTH STREET, SACRAMENTO, CALIFORNIA, 95814, NOT LATER THAN **NOVEMBER 4, 2003**. Otherwise, upon application of the plaintiff, the Court may enter judgment for the relief requested in the complaint, to-wit a declaration that AB 7 violates Article XVI, section 1, of the California Constitution and that the bonds authorized to be issued by the CFRFA cannot be issued, unless the people approve by a majority vote. Plaintiff also seeks an injunction against all enforcement of AB 7, the issuance of any deficit bonds and attorneys' fees and any other relief the Court finds appropriate.

Plaintiff's counsel of record is Arthur B. Mark III, Pacific Legal Foundation, 10360 Old Placerville Road, Sacramento, California, 95827. You may contact Plaintiff's counsel of record in writing and request a copy of the complaint and summons in this matter before November 4, 2003. Plaintiff's counsel cannot advise you as to your rights or remedies in this matter. **You may seek the advice of an attorney in any matter connected with the complaint or this summons. Such attorney should be consulted promptly so that your pleading may be filed or entered with the Court within the time required by this summons.** Persons who contest the legality or validity of these matters will not be subject to punitive action, such as wage garnishment or seizure of their real or personal property.

SEAL**DATE:****CLERK, by** _____ **Deputy**